

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105

FINAL STATEMENT OF REASONS

Date:

RH05044134

**UPDATE TO THE INFORMATION PRESENTED IN THE INITIAL STATEMENT
OF REASONS**

Section 2695.1(g)

This section has been added in lieu of Section 2695.7(r). The Department originally intended to prescribe certain specific standards when insurers use third party vendors. In response to public comments, the Department determined that, for clarity purposes, it should set forth general standards to which insurers must adhere in using third party computerized vendors to adjust insurance claims.

Section 2695.7(r)

This section has been deleted, amended and moved to the Preamble section of the regulations where the Commissioner's objectives are delineated.

Section 2695.8(b) (3)

This section has been amended as the Department recognizes that other private sales data (as opposed to just DMV data) might be valid and reasonably used to value a total loss vehicle, upon the Commissioner's approval of this other private sales data.

Section 2695.9(f)

This section has been amended to make it clear that the Commissioner never intended to disallow depreciation of the labor costs inherent to the manufacture of goods or materials such as a sofa. Rather, labor costs that are incurred in order to repair, rebuild or replace covered first party

residential or commercial property are not subject to depreciation as, pursuant to Insurance Code Section 2051, only the physical property itself can be depreciated. This section is also amended to clarify that the section applies to those policies subject to Insurance Code Section 2071 where the insurer is required to pay for the expense of repairing, rebuilding or replacing the property destroyed or damaged with property of like kind and quality.

SUMMARY OF AND RESPONSE TO PUBLIC COMMENT

The Department's summary of and response to public comment is separately included in this rulemaking file and incorporated herein by this reference.

UPDATE OF MATERIAL RELIED UPON

The Commissioner has not relied upon technical, theoretical or empirical studies or reports in proposing these regulations.

MANDATE ON LOCAL AGENCIES OR SCHOOL DISTRICTS

The Department has made a determination that adoption, amendment or repeal of the regulation does not impose a mandate on local agencies or school districts. The regulation has nothing to do with local agencies or school districts; it neither requires nor prohibits action on their part.

ALTERNATIVES

The Department has determined that no alternative considered by the agency would be more effective in carrying out the purpose for which the regulation is proposed, or would be as effective as and less burdensome to affected private persons than the adopted regulation. In support of this statement, no alternative was proposed, identified or brought to the attention of the agency during the public comment period. No proposed alternatives were rejected that would lessen the adverse economic impact on small businesses.